

## PRESS RELEASE



### Committee on Transportation & Infrastructure

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## Freight Logistics & Importance Of Transportation Efficiency To Be Focus Of Congressional Hearing

**Washington, D.C. – Senior business executives will testify at a Congressional hearing on Thursday on the importance of efficient and reliable transportation systems in how businesses manage the distribution of their resources and products.**

The hearing by the **U.S. House Subcommittee on Highways, Transit and Pipelines**, chaired by **U.S. Rep. Tom Petri (R-WI)**, is scheduled to begin at **10 a.m. on Thursday, September 7<sup>th</sup> in 2167 Rayburn House Office Building.**

A live webcast of the hearing will be available at the Committee's website:  
[www.house.gov/transportation](http://www.house.gov/transportation)

### Thursday's Witness List

- Chris Lofgren, President, Chief Executive Officer, Schneider National
- Douglas G. Duncan, President, Chief Executive Officer, FedEx Freight
- Tim Yatsko, Senior Vice President, Transportation, Wal-Mart Stores, Inc.

### \$13 Trillion In Freight Transported In The U.S. In 2002

Logistics as a business concept evolved in the 1950s as the days of fully integrated regional economies began to disappear and businesses began to take a more global approach. Today, manufacturers and retailers demand raw materials, components and finished goods on a global scale and hope to serve a global market with their respective products and services.

In addition to globalized supply chains, businesses are cutting costs and increasing productivity by adopting "just in time" inventory strategies. Businesses from automobile manufactures to big-box retailers are eliminating warehouses and relying on computerized inventory systems so that parts arrive when they are ready to be used and products arrive to replace the ones sold the day before.

Without an extensive freight transportation network of trucks, railroads, pipelines, airplanes and boats, businesses would not be able to incorporate global supply chains and "just in time" inventory strategies into their business models.

According to the U.S. Department of Transportation, over 19 billion tons of freight, valued at \$13 trillion, was carried over 4.4 trillion ton-miles in the United States in 2002. This translates to about 53 million tons of goods valued at about \$36 billion moved nearly 12 billion ton-miles on a single day. In less than 20 years, the nation's freight tonnage is projected to increase by 70 percent,

according to the U.S. Department of Transportation. However since 1980 the interstate highway lane miles have risen by 16 percent, while vehicle miles traveled on these roads increased 123 percent.

Among the modes responsible for freight transportation, trucks are the most frequently used to haul virtually all commodities in the United States. About 70 percent of the total value of freight shipments is hauled by trucks. In 2002, the trucking industry, including for-hire and private use trucks, transported over \$9 trillion worth of shipments.

### **Experts Concerned That Freight Capacity Is Not Keeping Up With Demand**

Transportation experts have expressed deep concern regarding an impending freight capacity shortage on America's highways. The last several decades have witnessed steady growth in the demand for freight transportation but freight capacity, especially highway capacity, is expanding too slowly to keep up with demand. The specific cause of this shortage is a combination of four factors: (1) incremental freight generated by the economic rebound and the elongation of supply chains, (2) chronic truckload driver shortage which has limited carriers' ability to grow, (3) carrier margins squeezed by rising insurance costs, increasing fuel costs, higher equipment life-cycle ownership costs, rising driver compensation levels, increasing healthcare costs, and increased service expectation, and most notably (4) increased amounts of highway, railroad, and port congestion leading the industries to approach a "sold-out" status.

Freight congestion problems are most apparent at bottlenecks on highways. Bottlenecks are estimated to account for about 40 percent of vehicle hours of delay. Most bottlenecks are found on highways serving major international freight gateways like the Ports of Los Angeles and Long Beach, at major domestic freight hubs like Chicago, and in major urban areas where transcontinental freight lanes intersect congested urban freight routes. These bottlenecks accrue significant truck hours of delay, totaling upwards of 243 million hours annually. At a delay cost of \$31.25 per hour, the conservative value used by Federal Highway Administration's Highway Economic Requirements System model for estimating national highway costs and benefits, the direct user cost of these bottlenecks is about \$7.8 billion per year.

Freight congestion problems have a direct impact on businesses that employ "just in time" inventory strategies and global supply chains. Predictability in shipping freight is the cornerstone in both of these business strategies. If raw materials do not arrive at a factory on schedule, production lines may shut down. If an overnight delivery service cannot guarantee delivery by a certain time their reputation suffers and they lose customers. The reliability of our nation's transportation system has a direct impact on the productivity of our economy.

**For additional information, access the Transportation & Infrastructure Committee website at:  
[www.house.gov/transportation](http://www.house.gov/transportation)**

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